

Three Year General Fund Financial Outlook
FY 2007-08 to FY 2009-10

Prepared Pursuant to Act 156 of 2005
§11-11-350

State Budget and Control Board
Office of State Budget

December 2006

Three Year General Fund Financial Outlook
FY 2007-08 to FY 2009-10
Based on Enacted FY 2006-07 Budget
(Dollars in Millions)

	<u>FY 2006-07</u>	<u>Projections</u>		
		<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>
	"Base Year"			
<u>Resources:</u>				
Beginning Balance	\$ - *	\$355.5	\$414.0	\$539.3
Adjustments	71.7			
Revenue (BEA Long Range Revenue Forecast, 11/9/2006)	6,896.4	7,103.0	7,455.9	7,794.8
Tax Relief Trust Fund Transfers	(504.6)	(507.8)	(540.4)	(559.9)
Total Revenue/Resources	\$6,463.5	\$6,950.7	\$7,329.5	\$7,774.2
<u>Expenditures and Reserve Fund Contributions:</u>				
Baseline (Enacted FY 06-07 Budget)	\$6,108.0	\$6,108.0	\$6,108.0	\$6,108.0
<u>Constitutional/ Statutory Items:</u>				
Reserve Funds: General Reserve and Capital Reserve (CRF)		31.7	40.0	50.2
Local Government Fund		30.8	38.3	47.4
Debt Service		4.1	0.2	(25.7)
<u>Major Expenditure Categories:</u>				
K-12 Education		197.9	273.4	350.5
Medicaid		30.0	90.0	167.0
Health, Social Services and Corrections		25.1	37.7	36.9
Higher Education Scholarship Growth (LIFE & Palmetto Fellows)		11.6	21.6	32.1
Increase in Employer Retirement Contribution Rate		30.0	30.0	30.0
State Employee Compensation Changes (2.0% per year)		36.8	74.5	113.3
State Employee Health Plan-retiree growth + rate increase		30.7	76.4	129.7
Total Expenditures	\$6,108.0	\$6,536.7	\$6,790.2	\$7,039.5
Ending Balance (Deficit Indicates Potential Budget Gaps)	\$355.5	\$414.0	\$539.3	\$734.8
* The FY 2005-06 ending balance transferred to Contingency				
Reserve Fund (see notes)	\$171.5			
Projected CRF Funds Available for Nonrecurring Expenditures		\$111.8	\$124.5	\$127.8

The Notes and Assumptions are an integral part of this Financial Outlook.

Notes

The three year General Fund Outlook is prepared by the Office of State Budget in consultation with the Board of Economic Advisors in accordance with Section 11-11-350 of the S. C. Code of Laws, 1976. The Outlook is a three-year revenue and spending projection based on the enacted FY2006-07 operating General Fund budget.

The spending projections are cumulative and the estimates are based on the FY2006-07 enacted budget and major expenditure categories contained therein. Unless noted below, future years do not include any increases over the baseline expenditures (FY2006-07 enacted budget).

This document is intended to be used for planning purposes only and should not be viewed as requiring that the major expenditure items listed must be funded by the General Assembly. The Outlook does not attempt to capture every agency's needs or budget requests.

Resource/Revenue Assumptions

- ❖ The beginning balance for each fiscal year equals the ending balance of the prior fiscal year (difference between Revenue and Expenditures). If the balance for the prior fiscal year is less than zero, the beginning balance for the next fiscal year is assumed to be zero.

- ❖ The FY2005-06 ending balance consists of a \$171.5 million surplus. This amount is obligated for the Contingency Reserve Fund per Proviso 73.15 of the FY2006-07 Appropriation Act and is not available for the state's General Fund operating budget. The Reserve Fund consists of all general fund revenues accumulated in a fiscal year in excess of general and supplemental appropriations. Revenues in the Fund may be appropriated only for the following purposes:
 - (1) If the balance in the general reserve fund is less than the required balance, there must be appropriated to it all amounts in the Contingency Reserve Fund up to the total necessary to replenish the general reserve fund.
 - (2) After the appropriation of amounts required pursuant to item (1), any remaining balance may be appropriated for or used to offset revenue reductions for: (a) infrastructure improvements; (b) school buildings; (c) school buses; and (d) expenses incurred by this State as a result of natural or other disasters
- ❖ The adjustments of \$71.7 million in FY2006-07 reflect \$36.4 million of nonrecurring revenue sources included in the enacted budget and \$34.3 million of unexpended unobligated revenue in the Budget and Control Board competitive grants program that will lapse to the General Fund in FY2006-07.
- ❖ The Board of Economic Advisors (BEA) long range general fund revenue forecast is based upon the November 9, 2006 forecast for FY2007-08 adopted by the BEA. The FY2007-08 revenue estimate serves as the base for the long range forecast. The latest completed 10-year compound average growth rate of personal income was applied to the FY2007-08 estimate. The historical annual growth rate of personal income between FY1995-96 and FY2005-06 averaged 5.3% per year. This process was repeated for each revenue category in the General Fund. The long range forecast methodology is summarized as follows:

- The BEA adopted personal income growth rates of 5.3% in FY2006-07 and 3.4% in FY2007-08 on November 9, 2006.
- Actual growth in the sales tax averaged 5.0% from FY1995-96 to FY2005-06 and is forecast to increase at its 10-year average growth rate. The sales tax is expected to increase less than personal income with an elasticity of 0.99 throughout the forecast period.
- The individual income tax is forecast to grow faster than personal income at 5.8% with an elasticity of 1.1 throughout the forecast period.
- The long range revenue forecast incorporates legislative changes enacted in 2006 that affect general fund revenue collection including the reduction of the sales tax on groceries by two cents effective October 1, 2006. The detailed three year general fund revenue forecast by revenue category is included on page 11.
- The Property Tax Reform Act, Act No. 388 of 2006, eliminates all school operating taxes on owner occupied homes and increases the state sales tax by one cent to replace the reduced property tax revenue stream. The new revenue from the one cent sales tax increase is earmarked for a newly created Homestead Exemption Fund which will replace lost property taxes beginning in FY2007-08. Funding to school districts in the first year is based on what would have been collected under the old system. In subsequent years, the school district funding requirement is based on inflation plus population growth factors. The Act provides that should there be a shortfall in revenue in the Homestead Exemption Fund the general fund will pay the difference.

The three year revenue forecast for the Homestead Exemption Fund projects **no impact** on the General Fund and a “surplus” of receipts over school funding requirements designated for county operations tax relief. The growth rate for sales tax is forecast to be 5.3% in FY2008-09 and FY2009-10 with inflation and population growth rates forecast at 4.4% for this same period.

Expenditure Assumptions

K-12 EDUCATION

- ❖ **Education Finance Act (EFA)** – The Base Student Cost was estimated to be \$2,476 in FY2007-08, \$2,550 in FY2008-09, and \$2,627 in FY2009-10. The corresponding inflation factors are 4.6% for FY2007-08 and 3.0% for FY2008-09 and FY2009-10. The Weighted Pupil Units growth rate was estimated at 0.5% annually over the FY2007-08 estimate. Estimated incremental cost: FY2007-08 \$93.9 million, FY2008-09 \$62.1 million, FY2009-10 \$64.9 million.
- ❖ **Early Childhood Education** – Proviso 1.75 of the FY2006-07 Appropriation Act established a two-year 4-K pilot program pursuant to the court's December 2005 ruling in Abbeville County School District et. al. vs. South Carolina. The voluntary program available first in the eight trial districts provides funding based on the EFA formula plus \$185 per student for transportation. Grants of \$10,000 are available for equipping and furnishing each additional classroom. The Education Oversight Committee (EOC) will issue recommendations for a statewide program in January 2008. Estimated cost for FY2007-08 assumes replacement of the FY2006-07 nonrecurring funding level of \$23.6 million. No incremental increase is estimated for FY 2008-09 and FY 2009-10 pending the EOC's recommendations.
- ❖ **School Bus Maintenance** - To replace nonrecurring funding. Estimates are for operating expenses and fuel costs at \$2.25/gallon, plus all other operating costs at FY2005-06 levels. Future years include a 5% inflation rate for fuel

only. Estimates do not include any additional funds for bus purchases. Estimated incremental cost: FY2007-08 \$19.4 million, FY2008-09 \$1.5 million, FY2009-10 \$1.6 million.

- ❖ **National Board Certification** - Based on an estimate of 5,690 certified teachers for FY2007-08, an additional 660 certified in FY2008-09 and an additional 600 certified in FY2009-10. Estimated incremental cost: FY2007-08 \$5.1 million, FY2008-09 \$5.8 million, FY2009-10 \$5.5 million.
- ❖ **Education and Economic Development Act (EEDA)** – Enacted in May 2005, this Act requires the K-12 public education system to develop curriculum centered on career clusters (Agriculture, Science, Health, Business, etc.) and requires that middle and high schools have a student to guidance counselor ratio of at least 300 to 1 by FY2007-08. For FY2007-08, FY2008-09, and FY2009-10, it was assumed that funds appropriated for Tech Prep (\$4,064,483) will be used to implement provisions of the EEDA. Estimated incremental cost: FY2007-08 \$7.7 million, FY2008-09 \$0.5 million. Additional funds are not needed in FY2009-10.
- ❖ **Student Health and Fitness Act** – Enacted in June 2005, this Act designates the amount of physical education that students in grades K-5 receive each week, and requires that by FY2008-09 the physical education teacher to student ratio shall be at least 500 to 1 in elementary grades. Estimated incremental cost: FY2007-08 \$24.2 million and FY2008-09 \$5.6 million. Additional funds are not needed in FY2009-10.
- ❖ **Summer School** – To replace nonrecurring funding. The estimates for FY2007-08 through FY2009-10 represent the \$12.8 million portion of the program that was funded with nonrecurring Education Improvement Act (EIA) funds in the FY2006-07 Appropriation Act.
- ❖ **Formative Assessments** – Act 254 of 2006 amends certain assessment components of the Education Accountability Act. The Act mandates the statewide adoption of formative assessments, including a formative

reading assessment for first and second grade, professional development, embedded field testing, and sample testing for science and social studies assessments. Estimated cost for FY2007-08 is \$11.2 million with no incremental increase for FY2008-09 or FY2009-10 anticipated.

MEDICAID

- ❖ **Medicaid Program** – The estimate assumes 5% growth in FY2007-08 with a .3044 State match rate; 7% growth in FY2008-09 with a .3029 State match rate; with 8% growth in FY2009-10 with a .3011 State match rate. The estimate for Medicaid incorporates the impact of the Medicare Modernization Act to reduce pharmacy expenses and the impact of the Coordinated Care initiative. Estimated incremental cost: FY2007-08 \$30.0 million, FY2008-09 \$60.0 million, FY 2009-10 \$77.0 million.

HEALTH, SOCIAL SERVICES, AND CORRECTIONS

- ❖ **Department of Mental Health Veterans Nursing Homes** - Annualization of the operating costs for Colleton County nursing home. Estimated cost: FY2007-08 \$2.6 million.
- ❖ **Department of Mental Health Sexually Violent Predator Program** - Section 44-48-10 et seq. of the South Carolina Code of Laws requires that sexually violent predators (SVP) be committed to the custody of the Department of Mental Health for control, care, and treatment. The SVP population must be segregated at all times from other patients under the supervision of the Department. The Department's SVP population has remained steady at about 70 individuals for the last several years. However, based on recent communication and guidance from the Attorney General's Office, the Department of Mental Health is projecting its SVP population will increase

to 176 individuals by the end of FY2007-08. Estimated incremental cost for FY2007-08 to serve 176 individuals in the SVP program is \$4.4 million. For FY2008-09, incremental additional costs for these 176 individuals are \$1.4 million. No additional costs are estimated for FY2009-10 pending actual commitments realized at the program.

- ❖ **Department of Social Services Child Support Enforcement** - Child Support Enforcement Statewide Automated System Development - Funding is required to develop and implement a federally mandated statewide automated system for Child Support Enforcement as well as to pay for penalties currently imposed on the state by the federal government. Estimated nonrecurring incremental cost: FY2007-08 \$16.0 million, FY2008-09 \$23.0 million, and FY2009-10 \$18.0 million.
- ❖ **Department of Corrections Inmate Population** - Estimate based on an average increase in the inmate population of 700 inmates per year. Estimated incremental cost: FY2007-08 \$2.1 million, FY2008-09 and FY2009-10 \$4.2 million per year.

HIGHER EDUCATION SCHOLARSHIP GROWTH

- ❖ **LIFE & Palmetto Fellows Scholarships** – The estimate for FY2007-08 assumes 5.9% and 11% growth rates over FY2006-07 for LIFE and Palmetto Fellows scholarships, respectively. Estimates for FY2007-08 and FY2009-10 assume 5% and 7.5% growth rates over the previous year's estimates. Estimated incremental cost: FY2007-08 \$11.6 million, FY2008-09 \$10.0 million, FY2009-10 \$10.5 million.

EMPLOYER RETIREMENT CONTRIBUTION RATE

- ❖ Act 153 (S618) of 2005 increased the employer contribution rate for the SC Retirement System by 1% over a two year period, 0.5% in FY2006-07 and 0.5% in FY 2007-08. In addition, the Budget & Control Board approved a cost of living adjustment resulting in a 0.5% increase in the employer retirement contribution rate. Estimated incremental cost: FY2007-08 \$30.0 million.

STATE EMPLOYEE COMPENSATION

- ❖ Estimate was based upon the salaries of agency heads, classified and unclassified positions, local health care providers and school bus drivers. 1% increase = \$18.4 million.

STATE EMPLOYEE HEALTH PLAN

- ❖ Retiree Growth and Rate Increase - Calendar Year 2007 employer base (State funds only) is \$522,186,662; Annualization involves funding final six months (Jul-Dec) of increase effective prior January; Employer rate increase involves funding first six months (Jan-Jun) of increase effective January of the fiscal year. Projected annual premium growth rate effective 1/2008 6.7%; 1/2009 8.0%; 1/2010 8.0%.
- ❖ Employer pays in the same proportion that is in place in January 2007 for 2008, 2009, and 2010; Retiree enrollment growth for FY2007-08 based on recent experience plus 3% net growth; Retiree enrollment growth for FY2008-09 and FY2009-10 estimated at 3.0% per year net growth. Estimated cost: FY2007-08 \$30.7 million, FY2008-09 \$45.7 million, FY2009-10 \$53.3 million.

OTHER POST EMPLOYMENT BENEFITS (OPEB)

- ❖ Beginning in FY2007-08, the state will implement the reporting requirements of the Government Accounting Standards Board (GASB) Statement #45 pertaining to other post-employment benefits (OPEB). Currently, the health insurance benefit for retirees is provided on a pay-as-you-go basis with this cost included in the FY2006-07 “base” operating budget. The state’s unfunded liability with regard to OPEB is estimated at \$9.2 billion. The FY 2006-07 Appropriation Act established a special committee to study the state’s OPEB obligation and to report its findings to the Governor and General Assembly in January 2007. Accordingly, no provision for additional OPEB expenditures is included in the Three Year General Fund Financial Outlook.

PERSONAL INCOME GROWTH
FY07 - 5.3%; FY08 - 3.4%
FORECAST PERIOD: FY09 TO FY10 - 5.3%
(INCOME GROWTH FROM 1996Q2 TO 2006Q2)

LONG RANGE GENERAL FUND REVENUE FORECAST
FISCAL YEARS FY2004-05 TO FY2009-10
(DOLLARS)

REVENUE CATEGORIES	FINAL FY 2004-05	FINAL FY 2005-06	11/09/06 ESTIMATE FY 2006-07	11/09/06 ESTIMATE FY 2007-08	WORKING ESTIMATE FY 2008-09	WORKING ESTIMATE FY 2009-10
RETAIL SALES TAX 1/ EXCISE, CASUAL SALES TAX	2,297,479,126	2,483,596,982	2,518,356,877	2,657,825,788	2,797,759,741	2,945,052,052
INDIVIDUAL INCOME TAX	20,995,722	21,823,926	22,969,027	24,174,212	25,442,633	26,777,608
CORPORATION INCOME TAX	2,691,471,960	2,995,477,875	3,232,351,801	3,308,773,503	3,471,705,067	3,637,991,421
	215,331,461	286,144,766	317,817,661	314,025,015	319,159,515	325,773,705
SALES AND INCOME TAXES	5,225,278,269	5,787,043,559	6,091,495,366	6,304,798,518	6,614,066,955	6,935,594,787
ADMISSIONS/BINGO TAX	31,453,851	31,317,326	32,570,019	33,872,820	35,227,733	36,636,842
ADMISS. TAX TRANSFER TO COMMERCE	(4,167,958)	(5,885,835)	(7,474,819)	(7,884,011)	(8,194,964)	(8,518,354)
AIRCRAFT TAX	5,159,369	4,580,111	4,699,194	4,821,373	4,946,729	5,075,344
ALCOHOLIC LIQUOR TAX	54,684,140	51,936,748	53,484,850	55,079,396	56,721,778	58,413,431
BANK TAX	28,822,372	28,214,333	30,443,265	32,848,283	35,443,298	38,243,318
BEER AND WINE TAX	94,750,699	98,008,570	100,262,767	102,568,811	104,927,893	107,341,235
BUSINESS LICENSE TAX	29,610,107	31,980,302	32,651,888	33,337,578	34,037,667	34,752,458
COIN-OPERATED DEVICES	1,865,755	1,179,663	2,089,646	1,120,680	2,340,403	1,064,646
CORPORATION LICENSE TAX	74,499,924	71,557,850	75,278,858	79,191,884	83,308,387	87,638,948
DEPARTMENTAL REVENUE 3/ DOCUMENTARY TAX	50,636,745	49,118,555	46,024,911	46,024,911	44,378,256	44,378,256
LESS: CONSERVATION BANK TRUST FUND	65,328,761	85,070,305	90,289,163	96,165,598	102,782,463	110,233,054
EARNED ON INVESTMENTS	(14,834,804)	(21,055,192)	(22,572,291)	(24,041,400)	(25,695,616)	(27,558,263)
ELECTRIC POWER TAX	26,074,491	69,852,997	104,000,000	88,000,000	88,000,000	88,000,000
LESS: TRANSFER TO NON-FED HGWAY FUND	25,490,375	24,772,698	25,614,970	26,485,879	27,386,399	28,317,536
ESTATE AND GIFT TAXES	(7,000,000)	(7,000,000)	(14,000,000)	(20,000,000)	(20,000,000)	(20,000,000)
LESS: FEDERAL CHANGE TO ESTATE TAX	59,434,731	62,437,081	63,623,386	64,832,230	66,064,042	67,319,259
INSURANCE PREMIUM TAX	(40,300,000)	(59,200,000)	(63,623,386)	(64,832,230)	(66,064,042)	(67,319,259)
INSURANCE LICENSE TAX	133,154,240	141,021,700	148,636,872	156,663,263	165,123,079	174,039,725
INSURANCE RETALIATORY & OTHER TAX	19,526,259	10,424,281	23,454,632	11,727,316	26,386,461	13,193,231
LESS: INSURANCE CREDITS	7,933,345	4,785,879	5,000,000	5,000,000	5,000,000	5,000,000
MOTOR TRANSPORT FEES	(13,015,176)	(17,196,097)	(17,196,097)	(17,196,097)	(17,196,097)	(17,196,097)
MOTOR VEHICLE LICENSES	19,596	10,556	20,000	11,000	20,000	11,000
LESS: INFRASTR. BANK TRANSFER-TRUCK	120,794,833	127,134,572	129,677,263	132,270,809	134,916,225	137,614,549
LESS: HIGHWAY FUND TRANSFER-CAR	(56,464,620)	(58,100,000)	(59,626,639)	(59,959,200)	(62,965,730)	(61,877,894)
LESS: TRANSFER TO NON-FED HGWAY FUND	(6,703,933)	(3,746,553)	(8,010,125)	(8,462,322)	(8,390,099)	(9,147,331)
PETROLEUM INSPECTION TAX	(14,177,105)	(41,752,190)	(56,910,072)	(55,777,233)	(57,777,233)	(57,353,895)
LESS: TRANSFER TO NON-FED HGWAY FUND	8,831,902	8,817,600	8,941,046	9,066,221	9,193,148	9,321,852
PRIVATE CAR LINES TAX	(3,742,934)	(7,152,837)	(9,066,221)	(9,193,148)	(9,321,852)	(9,321,852)
PUBLIC SERVICE AUTHORITY	2,390,008	3,374,612	3,597,336	3,834,761	4,087,855	4,357,653
RETAILERS LICENSE TAX	12,423,210	14,953,629	15,402,238	15,864,305	16,340,234	16,830,441
SAVINGS & LOAN TAX	927,913	832,752	849,409	866,394	883,722	901,396
WORKERS COMP. INSURANCE	2,780,603	3,419,616	3,645,311	3,885,901	4,142,371	4,415,767
CIRCUIT/FAMILY COURT FINES	14,217,534	13,142,396	13,602,380	14,078,463	14,571,209	15,081,202
DEBT SERVICE TRANSFERS	9,527,384	9,655,254	9,809,738	9,966,694	10,166,028	10,369,348
INDIRECT COST RECOVERIES	2,568,781	2,161,082	1,953,928	1,722,838	1,722,838	1,722,838
MENTAL HEALTH FEES	18,052,819	18,009,419	18,052,819	18,052,819	18,052,819	18,052,819
PAROLE / PROBATION FEES	3,800,000	3,800,000	3,600,000	3,800,000	3,800,000	3,800,000
UNCLAIMED PROPERTY FUND	3,392,808	3,382,290	3,392,808	3,392,808	3,392,808	3,392,808
HOLD E.I.A. HARMLESS	8,000,000	15,000,000	15,000,000	12,000,000	12,000,000	12,000,000
			(19,309,722)			
OTHER BASE SOURCES	780,666,064	799,848,461	804,950,591	798,201,482	841,886,916	859,226,011
TOTAL GENERAL FUND REVENUE	6,005,944,333	6,586,892,020	6,896,445,957	7,103,000,000	7,455,953,871	7,794,820,798
APPROPRIATION ACT REVENUE	5,594,777,980	5,965,877,763	6,718,531,220	7,103,000,000		
LESS: TAX RELIEF TRUST FUND	(505,158,783)	(513,870,537)	(515,396,670)	(521,643,795)	(540,422,972)	(559,878,199)
PLUS: TAX RELIEF FUND CARRYFORWARD		7,589,618	10,752,036	13,797,464		
EXCLUDING TRUST FUND	5,089,619,197	5,459,596,844	6,213,886,586	6,595,153,669	6,915,530,899	7,234,942,599
CAPITAL RESERVE FUND (2%) - BEG. BAL.	99,356,026	102,325,596	111,821,213	124,520,532	127,620,986	131,627,124
GENERAL RESERVE FUND (3%) - BEG. BAL.	75,154,528	153,488,394	167,731,819	186,780,797	191,431,479	197,440,686
TOTAL RESERVES	174,510,554	255,813,990	279,553,032	311,301,329	319,052,464	329,067,810
REVENUE EXCESS / SHORTAGE	411,166,353	621,014,257	177,914,737			
EDUCATION IMPROVEMENT ACT 2/ EIA FUND	585,086,736	659,695,322	657,641,198	673,000,000	708,300,594	745,457,415
EIA INTEREST	584,099,394	656,829,372	654,641,198	670,500,000	705,800,594	742,957,415
	987,342	2,865,950	3,000,000	2,500,000	2,500,000	2,500,000
S.C. EDUCATION LOTTERY FUND (NET)	243,000,000	300,000,000	264,000,000	264,000,000		
HOMESTEAD EXEMPTION FUND						
TOTAL REVENUE AVAILABLE				584,480,339	615,472,469	648,058,712
SCHOOL REIMBURSEMENT	340,708,708 *	381,593,753	435,016,878	489,432,370	510,967,394	533,449,960
\$2.5 MILLION REIMBURSEMENT				28,694,857	28,166,210	27,269,006
TOTAL REIMBURS. FOR SCHOOL OPERATIONS				518,127,227	539,133,604	560,718,966
COUNTY TAX RELIEF				66,353,112	76,338,865	87,339,746

1/: Excludes (1%) Education Improvement Act and (2%) Accommodations Taxes.
2/: Includes interest earnings.
3/: Includes former Dept. of Agriculture agency revenue other than the Petroleum Inspection Tax now shown separately.
*/: Figures are based on survey of county officials.
Source: S. C. Board of Economic Advisors /11/09/06

PERSONAL INCOME GROWTH
FY07- 5.3%; FY08 - 3.4%
FORECAST PERIOD: FY09 TO FY10 - 5.3%
(INCOME GROWTH FROM 1996Q2 TO 2006Q2)

LONG RANGE GENERAL FUND REVENUE FORECAST
FISCAL YEARS FY2004-05 TO FY2009-10
(PERCENT CHANGE OVER PRIOR FISCAL YEAR)

REVENUE CATEGORIES	PERCENT CHANGE FY04/FY05	PERCENT CHANGE FY05/FY06	PERCENT CHANGE FY06/FY07	PERCENT CHANGE FY07/FY08	PERCENT CHANGE FY08/FY09	PERCENT CHANGE FY09/FY10
RETAIL SALES TAX 1/ EXCISE, CASUAL SALES TAX	5.2	8.1	1.4	5.5	5.3	5.3
INDIVIDUAL INCOME TAX	3.0	3.9	5.2	5.2	5.2	5.2
CORPORATION INCOME TAX	10.4	11.3	7.9	2.4	4.9	4.8
	23.2	32.9	11.1	-1.2	1.6	2.1
SALES AND INCOME TAXES	8.5	10.8	5.3	3.5	4.9	4.9
ADMISSIONS/BINGO TAX	-1.6	-0.4	4.0	4.0	4.0	4.0
ADMISS. TAX TRANSFER TO COMMERCE						
AIRCRAFT TAX	-29.1	-11.2	2.6	2.6	2.6	2.6
ALCOHOLIC LIQUOR TAX	4.4	-5.0	3.0	3.0	3.0	3.0
BANK TAX	58.7	-2.1	7.9	7.9	7.9	7.9
BEER AND WINE TAX	0.5	3.4	2.3	2.3	2.3	2.3
BUSINESS LICENSE TAX	-0.4	8.0	2.1	2.1	2.1	2.1
COIN-OPERATED DEVICES	1.1	-36.8	77.1	-46.4	108.8	-54.5
CORPORATION LICENSE TAX	3.0	-3.9	5.2	5.2	5.2	5.2
DEPARTMENTAL REVENUE 3/ DOCUMENTARY TAX	-7.4	-3.0	-6.3	0.0	-3.6	0.0
	30.7	30.2	6.1	6.5	6.9	7.2
LESS: CONSERVATION BANK TRUST FUND						
EARNED ON INVESTMENTS	66.3	167.9	48.9	-15.4	0.0	0.0
ELECTRIC POWER TAX	1.3	-2.8	3.4	3.4	3.4	3.4
LESS: TRANSFER TO NON-FED HGWY FUND						
ESTATE AND GIFT TAXES	-0.6	5.1	1.9	1.9	1.9	1.9
LESS: FEDERAL CHANGE TO ESTATE TAX						
INSURANCE PREMIUM TAX	6.4	5.9	5.4	5.4	5.4	5.4
INSURANCE LICENSE TAX	108.9	-46.6	125.0	-50.0	125.0	-50.0
INSURANCE RETALIATORY & OTHER TAX	37.8	-39.7	4.5	0.0	0.0	0.0
LESS: INSURANCE CREDITS	17.1	32.1	0.0	0.0	0.0	0.0
MOTOR TRANSPORT FEES	173.1	-46.1	89.5	-45.0	81.8	-45.0
MOTOR VEHICLE LICENSES	6.6	5.2	2.0	2.0	2.0	2.0
LESS: INFRAST. BANK TRANSFER-TRUCK						
LESS: HIGHWAY FUND TRANSFER-CAR						
LESS: TRANSFER TO NON-FED HGWY FUND						
PETROLEUM INSPECTION TAX	6.9	-0.2	1.4	1.4	1.4	1.4
LESS: TRANSFER TO NON-FED HGWY FUND						
PRIVATE CAR LINES TAX	-11.0	41.2	6.6	6.6	6.6	6.6
PUBLIC SERVICE AUTHORITY	11.2	20.4	3.0	3.0	3.0	3.0
RETAILERS LICENSE TAX	0.5	-10.3	2.0	2.0	2.0	2.0
SAVINGS & LOAN TAX	-23.2	23.0	6.6	6.6	6.6	6.6
WORKERS COMP. INSURANCE	10.5	-7.6	3.5	3.5	3.5	3.5
CIRCUIT/FAMILY COURT FINES	0.0	1.3	1.6	1.6	2.0	2.0
DEBT SERVICE TRANSFERS	-6.5	-15.9	-9.6	-11.8	0.0	0.0
INDIRECT COST RECOVERIES	-20.0	-0.2	0.2	0.0	0.0	0.0
MENTAL HEALTH FEES	0.0	0.0	-5.3	5.6	0.0	0.0
PAROLE / PROBATION FEES	-0.0	-0.3	0.3	0.0	0.0	0.0
UNCLAIMED PROPERTY FUND	21.2	87.5	0.0	-20.0	0.0	0.0
HOLD E.I.A. HARMLESS						
OTHER BASE SOURCES	3.3	2.5	0.6	-0.8	5.5	2.1
TOTAL GENERAL FUND REVENUE	7.8	9.7	4.7	3.0	5.0	4.5
APPROPRIATION ACT REVENUE	1.8	6.6	12.6	5.7		
LESS: TAX RELIEF TRUST FUND	4.1	1.7	0.3	1.2	3.6	3.6
PLUS: TAX RELIEF FUND CARRYFORWARD						
EXCLUDING TRUST FUND	1.6	7.3	13.8	6.1	4.9	4.6
CAPITAL RESERVE FUND (2%) - BEG. BAL.	0.8	3.0	9.3	11.4	2.5	3.1
GENERAL RESERVE FUND (3%) - BEG. BAL.	52.4	104.2	9.3	11.4	2.5	3.1
TOTAL RESERVES	18.0	46.6	9.3	11.4	2.5	3.1
REVENUE EXCESS / SHORTAGE						
EDUCATION IMPROVEMENT ACT 2/ EIA FUND	7.3	12.8	-0.3	2.3	5.2	5.2
	7.2	12.5	-0.3	2.4	5.3	5.3
EIA INTEREST	151.3	190.3	4.7	-16.7	0.0	0.0
S.C. EDUCATION LOTTERY FUND (NET)	-10.2	23.5	-12.0	0.0		
HOMESTEAD EXEMPTION FUND						
TOTAL REVENUE AVAILABLE					5.3	5.3
SCHOOL REIMBURSEMENT		12.0	14.0	12.5	4.4	4.4
\$2.5 MILLION REIMBURSEMENT					-1.8	-3.2
TOTAL REIMBURS. FOR SCHOOL OPERATIONS					4.1	4.0
COUNTY TAX RELIEF					15.0	14.4

1/: Excludes (1%) Education Improvement Act

2/: Includes interest earnings.

3/: Includes former Dept. of Agriculture agency

*/: Figures are based on survey of county officials.

and (2%) Accommodations Taxes.

revenue other than the Petroleum Inspection Tax now shown separately.

Source: S. C. Board of Economic Advisors

/11/09/06